

IRS News Release

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Partners Spread the Word on Leave-Donation Program

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WASHINGTON — A broad coalition of business and charitable associations joined with the Internal Revenue Service and the Department of Treasury today to announce a partnership aimed at educating the nation's employers about a leave-donation program benefiting Hurricane Katrina victims.

The leave-donation program offers favorable tax treatment for employees who donate annual, sick or personal leave back to their employer. The employer converts the leave into cash and makes a contribution to a qualified charity supporting Katrina relief and recovery efforts. The employee does not pay taxes on the value of the leave, and the employer may deduct the amount as either a charitable donation or as a business expense.

"Companies and employees across the country have been deeply moved by the recent disasters affecting the Gulf Coast. The IRS programs provide a creative way for hard-working employers and employees to contribute in a concrete and practical way," said Stephen Jordan, Vice President and Executive Director, U.S. Chamber of Commerce's Center for Corporate Citizenship.

"We are deeply appreciative of the financial outpouring we witnessed in the aftermath of Hurricane Katrina. But the task here is immense; the needs still being calculated and the recovery just beginning. We would urge employers and employees to review the leave-donation program and see if it is right for them. The leave-donation program provides an avenue for continued and critically needed cash contributions," said Colburn S. Wilbur, interim President and CEO, Council on Foundations.

"Everybody wins under this program," said IRS Commissioner Mark W. Everson. "Employees can give without paying cash. Companies get the tax deduction. And the money gets to people in need."

The business associations will share information about the leave-donation program to all their members – greatly expanding the outreach to employers and employees who are looking for a way to help. Among those joining the outreach efforts are:

U.S. Chamber of Commerce

American Payroll Association

Society for Human Resource Management

American Trucking Association

Small Business Legislative Council

Women Impacting Public Policy

National Manufacturer's Association

National Women's Business Council

Independent Community Bankers of America

American Hotel and Lodging Association

National Small Business Association

Associated General Contractors

United States Pan-Asian American Chamber of Commerce

American Dental Association

A leave-donation program can be adopted and administered easily. Employers must follow certain guidelines, but no IRS approval is required and there are no special reporting requirements. The amounts contributed are not subject to employment taxes and are deductible for the employer. This program will extend through the end of 2006. People will have a chance to donate even if they've used their vacation time for this year.

The cash contribution by the employer must be made to a qualified tax-exempt organization, dedicated to Hurricane Katrina relief and paid to the organization by December 31, 2006.

A leave-donation program makes it easier for employees to help Hurricane Katrina victims without tapping their own cash reserves. Employees also can donate the leave with no impact on their income or taxes.

The IRS does not endorse specific charities. However, the traditional role of many charities places them on the frontlines of relief and recovery efforts. Their success depends on contributions large and small.

ADDITIONAL STATEMENTS:

John Satagaj, President, Small Business Legislative Council: "We have heard from countless small businesses over the last month, eager to help - in any and every way they can. This initiative presents a terrific opportunity for them to help in a different way and to involve employees in the process. We support it wholeheartedly, and hope those small businesses and their employees that can do this, will do so."

Sue Meisinger, CEO and President, Society for Human Resource Management: "The entire country has been affected by the devastation on the Gulf Coast. Many people who may not be able to financially contribute to the relief and reconstruction efforts will

be excited to donate their extra leave days to the cause. SHRM is pleased to partner with the IRS to support this program and we encourage our members in workplaces throughout the country to explore whether this program might make sense in their organization and for their workforce.”

Scott Mezistrano, senior manager for government relations, American Payroll Association: “The American Payroll Association applauds IRS’ reinstating the tax-preferred treatment for workers who donate their accrued leave for their employers to pass on to organizations helping victims of Hurricane Katrina. This encourages employee donations because everyone gets an immediate break on their income, social security, and Medicare taxes. It doesn’t matter whether or not the worker itemizes deductions on the personal income tax return because the donated leave is never added to the W-2. Many employers of APA members are implementing leave donation plans. Most importantly, this will support immediate assistance to the hurricane victims.”